10Q 3-31-92

0 3538
0-35817

MAY 0 8 1992

7/L

92-2204

FORM 10Q
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended

March 31, 1992

0-10782
Commission file number

FARMERS NATIONAL BANCORP, INCORPORATED / DE /

(Exact name of registrant as specified in its charter)

Delaware	36-3150490
(State or other juridiction of incorporation or organization)	(I.R.S. Employer Identification No.)
121 West First Street Geneseo, Illinois	61254
(Address of principal executive offices)	(Zip code)
(Registrant's telephone number, including area code)	309-944-5361

Indicate by check mark whether the registrant (1) has filed all reports required to be to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X . No .

APPLICABLE ONLY TO CORPORATE ISSUERS

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Title of each class	Shares outstanding March 31, 1992
Common stock, par value $5.00 per share	366,689

PROCESSED BY
MAY 11 1992

Microfilmed by
Q-Data Corp. - St. Petersburg, FL

PART I. FINANCIAL INFORMATION

Item 1. *Financial Statements*

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION

	Unaudited	Audited
	-In Thousands-	
	3/31/92	12/31/91
ASSETS		
Cash and due from banks	$5,440	$6,568
Interest-bearing deposits in other banks	0	499
Federal funds sold and securities purchased under resale agreements	4,500	5,350
Investments Securities (market value of $69,021,784 at March 31, 1992 and $68,816,000 at December 31, 1991)	66,993	66,072
Loans	75,988	76,156
Less: Allowance for loan losses	1,894	1,831
Unearned income	250	266
Net Loans	73,844	74,059
Premises and equipment	1,932	1,812
Accrued interest receivable	1,928	2,308
Intangible assets	718	746
Other assets	643	449
TOTAL ASSETS	$155,998	$157,863
LIABILITIES AND STOCKHOLDERS' EQUITY		
LIABILITIES		
Deposits:		
Noninterst-bearing demand	$9,543	$11,474
Interest-bearing	132,528	133,121
Total deposits	142,071	144,595
Securities sold under agreements to repurchase	161	351
Other liabilities	1,892	1,534
Mandatory convertible subordinated notes	0	0
Total liabilities	144,124	146,480
Contingencies and commitments	-----	-----
STOCKHOLDERS' EQUITY		
Common Stock; $5 par value; authorized 600,000 shares; issued 375,000 shares	1,875	1,875
Additional paid-in capital	1,635	1,635
Retained earnings	8,587	8,096
	12,097	11,606
Less: Treasury stock, 8,311 shares at cost	223	223
Total stockholders' equity	11,874	11,383
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$155,998	$157,863

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CONDITION
-Unaudited-

	-In Thousands- Quarter ended 3-31-92	 3-31-91
Interest income:		
Interest and fees on loans	$1,878	$1,869
Interest and dividends on investment securities:		
Taxable	1,113	1,276
Nontaxable	191	176
Interest on interest-bearings deposits	11	32
Other interest income	43	36
Total interest income	3,236	3,389
Interest expense:		
Interest on deposits	1,842	2,072
Interest on short-term borrowings	0	38
Interest on subordinated notes	0	15
Total interest expense	1,842	2,125
Net interest income	1,394	1,264
Provision for loan losses	0	0
Net interest income after provision for loan losses	1,394	1,264
Other income:		
Investment security gains (losses)	134	(44)
Other	191	122
Total other income	325	78
Income before operating expenses	1,719	1,342
Operating expenses:		
Salaries and employee benefits	466	439
Net occupancy expense	127	109
Exam, legal and audit fees	30	31
FDIC insurance premiums	81	66
Premium amortization	27	27
Other operating expenses	190	159
Total operating expenses	921	831
Income before income tax expense	798	511
Applicable tax expense	216	90
Net income	$582	$421
Per common share		
Income per share-assuming no dilution:		
Net income	$1.59	$1.44
Weighted average common shares outstanding	366,689	291,689
Income per share-assuming full dilution:		
Net income	$1.59	$1.17
Weighted average common shares outstanding	366,689	366,689

FARMERS NATIONAL BANCORP, INC.
AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
-Unaudited-

	-In Thousands- Quarter ended 3-31-92	 3-31-91
Cash flows from operating activities:		
Net income	$582	$421
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation	53	46
Amortization of deposit premium	27	27
Provision for possible losses on real estate owned	1	0
Amortization/accretion of investment securities, net	39	24
Investment securities (gains) losses	(134)	44
Decrease in accrued interest receivable	379	193
(Increase) decrease in other assets	(192)	45
Increase in accrued interest payable	139	(92)
Increase in other liabilities	220	46
Net cash provided by operating activities	1,114	754
Cash flows from investing activities:		
Decrease in federal funds sold	850	3,400
Decrease in interest-bearing deposits in other banks	499	297
Proceeds from sales and maturities of investment securities	7,101	2,226
Purchases of investment securities	(7,928)	(2,773)
Net (increase) decrease in loans	215	(3,203)
Purchase of premises on equipment	(173)	(24)
Net cash provided by (used in) investing activities	564	(77)
Cash flows from financing activities:		
Net (Decrease) in deposit accounts	(2,525)	(520)
Increase (decrease) in securities sold with repurchase agreements	(189)	0
Dividends paid	(92)	(73)
Net cash provided by (used in) financing activities	(2,806)	(593)
Net increase (decrease) in cash and due from banks	(1,128)	84
Cash and due from banks, beginning of year	6,568	4,961
Cash and due from banks, end of period	$5,440	$5,045

Summary of Significant Accounting Policies

The Consolidated Statements of Condition of Farmers National Bancorp, Inc. and subsidiaries, at December 31, 1991, have been taken from audited financial statements at that date. All other consolidated financial statements contained herein have been prepared by the management of the Company and are unaudited. In the opinion of management, the accompanying unaudited consolidated financial statements presented herein contain all adjustments consisting of normal recurring accruals necessary to present fairly the financial position of the Company at March 31, 1992 and the results of its operations and statement of cash flows for the periods presented herein on a consistent basis with that of prior periods.

Item 2. Managements' Discussion and Analysis of Financial Condition and Results of Operations.

(1) Material Changes in Financial Condition

The Company experienced a marginal decrease in loans (.3%) and deposits (1.8%) during the quarter, both of which management believes to be seasonal fluctuation. Investment securities and equity capital increased by 1.4% and 4.3%, respectively, during the quarter.

There were no significant changes or trends which occurred during the period.

Under Federal Reserve regulations the company is required to maintain risk-based capital of at least 7.25%. At March 31, 1992 the Company's risk-based capital ratio was 13.33%. The Company's core or leverage capital is well above the required mininums.

The liquidity of the bank remains strong at March 31, 1992. Temporary investments less volatile liabilities, as a percent of total assets was 9.50% well above the peer group average of .36%. In addition, investment securities includes unrealized gains of $1,623,082 and unrealized losses of $111,222 of which management intends to hold until maturity.

(2) Material Changes In the Results of Operations

Net interest margins continue to increase, despite historically low interest rates. On a fully-taxable equivalent basis, the current net interest margin is approximate 4.1% compared to 3.7% a year ago, an 11% increase. Based upon average earnings assets of approximate $148,000,000, the result of the increased net interest margin is approximately $600,000 in additional net interest income per year.

The bank sold two investment securities during the first quarter of 1992, and recorded gains of $134,000. The sales were part of the banks asset/liability management plan to reduce its short-term repricing gap in anticipation of stable or rising rates.

Other noninterest income increased by $69,000 from period to period, mostly from increased service charge income.

Other noninterest expenses increased by 10.8%. Included in the increase was a 6% increase in salaries and benefits, and a 23% increase in FDIC insurance premiums.

Tax expense increased in 1992. In 1991 NOL carryforwards were utilized, which have now been used up. This resulted in a 27% tax rate in 1992 compared to 17% in 1991.

PART II. OTHER INFORMATION

Item 1. None to report.

Item 2. None to report.

Item 3. None to report.

Item 4. Submission of Matters to a Vote of Security Holders.

The Annual Meeting of Stockholders was held on Tuesday, March 31, 1992 at 1:30 p.m. In addition to the election of directors, the following matters were submitted to the stockholders. A proposal to amend the Certificate of Incorporation (a) to classify the Board of Directors, (b) to provide that the number of directors shall be fixed within specified limits by resolution of the board, (c) to establish procedures for filling vacancies on the Board (d) to provide that directors may be removed only for cause, and to provide further that such provisions, once adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 228,760 for; 44,944 against; 1,790 abstain.

A proposal to amend the Certificate of Incorporation to provide that stockholder action may be taken only at annual or special meetings of stockholders and may not be taken by written consent, and to provide further that such a provision, once adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 230,813 for ; 43,611 against; 1,070 abstain.

A proposal to amend the Certificate of Incorporation to increase the stockholder vote required to consent to alter, amend to alter, amend, or repeal by-laws of the Company, and to provide further that such a provision, one adopted, may be altered, amended or repealed only by a supermajority vote of the stockholders, was approved by a vote of 229,959 for; 44,300 against; 1,235 abstain.

Item 5. None to report.

Item 6. None to report.

Signatures

Pursuant to the Requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

FARMERS NATIONAL BANCORP, INC.

Dated: April 30, 1992

Gaylon E. Martin
President

Dated: April 30, 1992

Wayne A. Hulting
Controller